

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN**

**FINANCIAL STATEMENTS
For The Year Ended June 30, 2004**



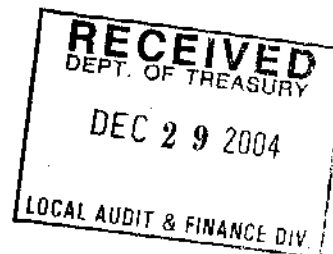
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 **Burnside & Lang, P.C.**
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AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name MID-MICHIGAN COMMUNITY FIRE BOARD	County GRATIOT AND MIDLAND
Audit Date JUNE 30, 2004	Opinion Date AUGUST 12, 2004	Date Accountant Report Submitted to State 12/28/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) BURNSIDE & LANG, P.C.			
Street Address 5915 EASTMAN AVENUE, SUITE 100	City MIDLAND	State MI	ZIP 48640
Accountant Signature <i>Mark Burnside</i> CPA, CGAP - 12/27/04			

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2004**

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Independent Auditors' Report

Fire Administrative Board
Mid-Michigan Community Fire Board
Gratiot and Midland Counties, Michigan
Saint Louis, Michigan

We have audited the accompanying financial statements of the Mid-Michigan Community Fire Board, Gratiot and Midland Counties, Michigan, (the "Fire Board") as of and for the year ended June 30, 2004, which collectively comprise the Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire Board's Administrative Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire Board, as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Fire Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of June 30, 2004.

The budgetary comparison information is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
August 12, 2004

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2004**

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 262,991	\$ -	\$ 262,991
Accounts receivable	547	-	547
Capital assets, net	<u>-</u>	<u>314,099</u>	<u>314,099</u>
Total assets	<u><u>\$ 263,538</u></u>	<u><u>\$ 314,099</u></u>	<u><u>\$ 577,637</u></u>
Liabilities			
Accounts payable	\$ 847	\$ -	\$ 847
Long-term liabilities			
Capital lease - due within one year	-	16,796	16,796
Capital lease - due after one year	<u>-</u>	<u>36,489</u>	<u>36,489</u>
Total liabilities	<u>847</u>	<u>53,285</u>	<u>54,132</u>
Fund Balance/Net Assets			
Fund Balance			
Unreserved and undesignated	<u>262,691</u>	<u>(262,691)</u>	<u>-</u>
Total Fund Equities	<u>262,691</u>	<u>(262,691)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 263,538</u></u>		
Net Assets			
Invested in capital assets, net of related debt		260,814	260,814
Restricted		-	-
Unrestricted		<u>262,691</u>	<u>262,691</u>
Total net assets		<u><u>\$ 523,505</u></u>	<u><u>\$ 523,505</u></u>

The accompanying notes are an integral part of the financial statements.

MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES
Year ended June 30, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
Revenue			
State grants	\$ 844	\$ -	\$ 844
Federal grants	2,401	-	2,401
Charges for services	180,450	-	180,450
Contributions and gifts	875	-	875
Interest	2,856	-	2,856
Other	4,020	-	4,020
Total revenue	191,446	-	191,446
Expenditures			
Salaries and wages	60,812	-	60,812
Employee benefits	12,584	-	12,584
Supplies	3,875	-	3,875
Postage	127	-	127
Gas and fuel	904	-	904
Uniforms - turnout gear	5,023	-	5,023
Professional and contracted service	3,049	-	3,049
Communications	8,339	-	8,339
Meals	37	-	37
Insurance and bonds	5,581	-	5,581
Repairs and maintenance	9,718	-	9,718
Miscellaneous	479	-	479
Education and training	2,523	-	2,523
Capital outlay	5,064	(5,064)	-
Depreciation	-	35,219	35,219
Capital lease			
Principal	16,033	(16,033)	-
Interest	3,629	-	3,629
Total expenditures	137,777	14,122	151,899
Excess of revenue over expenditures	53,669	(14,122)	39,547
Fund balance/Net assets - beginning	209,022	274,936	483,958
Fund balance/Net assets - ending	\$ 262,691	\$ 260,814	\$ 523,505

The accompanying notes are an integral part of the financial statements.

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mid-Michigan Community Fire Board (the "Fire Board") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Fire Board:

A. Reporting Entity

The Fire Board was established April 1, 1982, for the purpose of providing fire protection to its members of local governments: the City of Saint Louis, and the Townships of Bethany, Pine River and Jasper. The accompanying financial statements present the Fire Board's operations for which the government is considered to be financially accountable.

The Mid-Michigan Community Fire Board has implemented GASB Statement No. 14, *The Financial Reporting Entity and Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

The Fire Board is a joint venture as defined by the Governmental Accounting Standards Board. The Fire Board does not meet the criteria to be included in the financial statements of the creating governments because they do not have the requisite degree of oversight responsibility. In addition, there are no other governmental units' financial statements, for which the Fire Board has oversight responsibility, which should be included in the accompanying financial statements. The Fire Board has no component units and is not responsible for any jointly governed organizations.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The statement of net assets and activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund portion of the financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables—All receivables are shown net of allowance for uncollectible amounts, if any.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the statement of net assets. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Machinery & equipment	3 to 15 years
Vehicles	6 to 20 years

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Balance—The general fund reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level. During the year, the Fire Board operated within it's approved budget.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Fire Board to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Fire Board is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Fire Board's Administrative Board has designated two banks for the deposit of Fire Board funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Fire Boards's deposits and investment policy are in accordance with statutory authority.

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Fire Board's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 262,991</u>	<u>\$262,991</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificate of deposit)	<u>\$ 292,991</u>
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The bank balance of the Fire Board deposits is \$263,765, of which \$185,698 is covered by federal deposit insurance. \$78,067 is uninsured and uncollateralized.

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Fire Board for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated				
Machinery & Equipment	\$ 179,213	\$ 4,800	\$ 4,300	\$ 179,713
Vehicles	415,189	-	-	415,189
Subtotal	<u>594,402</u>	<u>4,800</u>	<u>4,300</u>	<u>594,902</u>
Less Accumulated Depreciation for				
Machinery & Equipment	58,253	16,117	4,300	70,070
Vehicles	190,931	19,102	-	210,033
Subtotal	<u>249,184</u>	<u>35,219</u>	<u>4,300</u>	<u>280,103</u>
Net Capital Assets Being Depreciated	<u>345,218</u>	<u>(30,419)</u>	<u>4,300</u>	<u>314,099</u>
Governmental Activities Capital Assets-Net of Depreciation	<u>\$ 345,218</u>	<u>(\$30,419)</u>	<u>\$ 4,300</u>	<u>\$ 314,099</u>

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Fire Board as follows:

Fire Protection	\$ 35,219
Total	<u>\$ 35,219</u>

NOTE 5. LEASES

Capital Lease—The Fire Board has entered into a lease agreement as lessee for financing the purchase of a fire vehicle. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the net present value of the future minimum lease payments as of the inception date. The gross amount of assets under capital leases is \$170,529. The accumulated amortization on the above assets is \$61,817. The net value of \$108,712 is included in Vehicles. The future minimum lease obligations and the net present value is as follows:

<u>Year Ended June 30</u>	
2005	\$ 19,662
2006	19,662
2007	<u>19,663</u>
Total Minimum Lease Payments	58,987
Less: Amount Representing Interest	<u>(5,702)</u>
Net Present Value	<u>\$ 53,285</u>

Interest expense totaled \$3,629 for the year ended June 30, 2004.

NOTE 6. RISK MANAGEMENT

The Fire Board is exposed to various risks of loss related to property loss, torts, theft, damage and destruction of property, errors and omissions, employee injuries (workers compensation) and natural disasters. The Fire Board manages these risks by obtaining commercial insurance coverage for these types of claims through a policy held by the City of Saint Louis, Michigan. There have been no settlements that exceeded insurance coverage in the past three fiscal years.

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 7. MEMBER CONTRIBUTIONS

Participating members of the Fire Board make annual contributions based on the number of fire runs and the number of rescue runs. The contributions for fire runs is based on the proportion of each member's number of fire runs compared to the total fire runs for all entities during the four previous fiscal years. The rescue run contribution is based on the number of rescue runs made for each member for the previous fiscal year multiplied by a rate established by the Fire Board. The amount of contributions by each member for the fiscal year ended June 30, 2004, follows:

		<u>Fire Runs</u>	<u>Rescue Runs</u>	<u>Total Contributions</u>
City of St. Louis	33%	\$ 52,812	\$ 12,150	\$ 64,962
Bethany Township	20	31,736	2,550	34,286
Jasper Township	24	37,453	4,050	41,503
Pine River Township	23	36,049	3,650	39,699
Totals	<u>100%</u>	<u>\$ 158,050</u>	<u>\$ 22,400</u>	<u>\$ 180,450</u>

NOTE 8. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

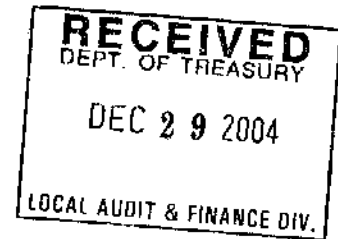
As of and for the year ended June 30, 2004, the Fire Board implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; financial statements prepared using the economic resources measurement focus and the accrual basis of accounting; and adjustments to reconcile modified accrual financial statements to full accrual financial statements..

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2004**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
State grants	\$ 4,500	\$ 4,500	\$ 844	\$ (3,656)
Federal grants	-	-	2,401	2,401
Charges for services	180,450	180,450	180,450	-
Contributions and gifts	-	-	875	875
Interest	2,500	2,500	2,856	356
Other	3,700	3,700	4,020	320
Total revenues	<u>191,150</u>	<u>191,150</u>	<u>191,446</u>	<u>296</u>
EXPENDITURES				
Firemen salaries	80,000	80,000	60,812	19,188
Employee benefits	19,000	19,000	12,584	6,416
Supplies	3,000	3,000	3,875	(875)
Postage	300	300	127	173
Gas and fuel	1,750	1,750	904	846
Uniforms - turnout gear	6,000	6,000	5,023	977
Professional and contracted service	2,000	2,000	3,049	(1,049)
Communications	6,500	6,500	8,339	(1,839)
Meals	750	750	37	713
Travel, conferences and workshops	1,200	1,200	-	1,200
Printing and publishing	200	200	-	200
Insurance and bonds	5,200	5,200	5,581	(381)
Utilities	200	200	-	200
Repairs and maintenance	13,000	13,000	9,718	3,282
Miscellaneous	550	550	479	71
Education and training	7,300	7,300	2,523	4,777
Capital lease	19,700	19,700	19,662	38
Capital outlay	12,500	12,500	5,064	7,436
Total expenditures	<u>179,150</u>	<u>179,150</u>	<u>137,777</u>	<u>41,373</u>
Excess of revenue over expenditures	<u>12,000</u>	<u>12,000</u>	<u>53,669</u>	<u>41,669</u>
Fund balance - beginning	209,022	209,022	209,022	-
Fund balance - ending	<u>\$ 221,022</u>	<u>\$ 221,022</u>	<u>\$ 262,691</u>	<u>\$ 41,669</u>

August 12, 2004

Members of the Fire
Administrative Board
Mid-Michigan Community Fire Board
Gratiot and Midland, Counties



Dear Board Members:

In planning and performing our audit of the financial statements of the Mid-Michigan Community Fire Board (the "Fire Board"), for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls. Our consideration of internal controls would not necessarily disclose all matters in the internal control process that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control elements does not reduce to relatively low level the risk that misstatements caused by errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The following comments and recommendations are submitted to assist in improving procedures and controls. We would be pleased to discuss these suggestions or to respond to any questions at your convenience.

INTERNAL CONTROLS

Financial Oversight

The general limitations in any smaller organization like the Fire Board require that board members continue to remain involved in the financial affairs through oversight of operations, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Based on inquiries, the board performs these duties and our comment here is intended to emphasize the importance of its oversight responsibility.

OTHER MATTERS

Financial Statements

The Local Audit and Finance Division of the Michigan Department of Treasury makes available for review audited financial statements of local units of government in Michigan. We encourage management to visit the state's website and review financial information of other fire authorities for comparison purposes. This information can be found by visiting the state's website at www.michigan.gov/treasury.

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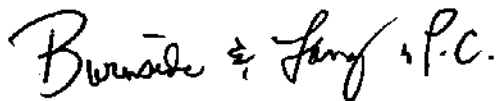
Mid-Michigan Community
Fire Board
August 12, 2004
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Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2004, financial statements, and this report does not affect our report on those financial statements dated August 12, 2004. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Mid-Michigan Community Fire Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

BURNSIDE & LANG, P.C.